

North City West School Facilities Financing Authority

and Community Facilities District No. 1

February 15, 2006

Honorable Mayor and City Council
City of San Diego
City Administration Building, 202 "C" Street
San Diego, CA 92101

**Participating
School Districts:**
Del Mar Union
San Dieguito Union
Solana Beach

Re: Annual review and update of the North City West School Facilities Master Plan for
Fiscal Year 2004-05 (currently known as the **Carmel Valley Community Plan area**).

In accordance with the provisions of the North City West School Facilities Master Plan adopted by City Council Resolution No. R-255381 on November 18, 1981, an annual review by the Joint Powers Agency (JPA) in Consultation with the City Council is required. The annual review is to "evaluate the performance of the program, to reassess the ongoing commitments to the completion of the needed school facilities and to reevaluate the costs and deposits for the financing program" (See Exhibit E, page 3 of the Plan).

Directors:
Eric Hall,
San Dieguito
Ann Klein,
Solana Beach
Rodger Smith,
Del Mar

Historical Overview:

The Joint Powers Agency titled "North City West School Facilities Financing Authority" came into existence on April 15, 1983, and was approved by the City Council on July 5, 1983 (City Council Resolution No. R-258883). The governing body of this unique Authority, which includes representatives of the Del Mar Union School District, Solana Beach School District (both kindergarten through 6th grades) and San Dieguito Union High School District (7th through 12th grades), held its organizational meeting on May 31, 1983.

Superintendents:
Dr. Peggy Lynch,
San Dieguito
Leslie Fausset,
Solana Beach
Thomas Bishop,
Del Mar

The Master Plan created the procedures and the financial framework needed for the three JPA member school districts to provide the necessary kindergarten through twelfth grade public school facilities. The NCWSFFA was exempted from developer fee limitations (statutory school fees) imposed by the State legislature in 1986 by section GC65974 of the Government Code. Our official mission statement is: "The Mission of the North City West School Facilities Financing Authority is to provide school facilities, concurrent with need, to support the member School Districts' educational programs for Carmel Valley kindergarten through twelfth grade students".

**Executive
Director:**
Donald J. Yarnell

In 1988, the JPA formed a Mello-Roos Community Facilities District (CFD No.1) to supplement the funding of school facilities and authorized the sale of \$80,000,000 in municipal bonds. The new CFD No. 1 covered approximately 96% of the vacant residential acreage remaining in Carmel Valley and, other than State funding, would become the primary source of school funding. In 1989, \$46,265,000 of the authorized Mello-Roos Bonds were issued.

Master Plan review, Jan. 20, 2006, page 2

In 1995, the JPA/CFD refinanced the remaining \$45,600,000 of the original Bond issue to achieve: (1) an appreciably lower interest rate and (2) provide the needed construction funds sooner than they would have been available under the 1989 agreement. The balance of the \$33,735,000 Bond authorization was issued in 1997. There are 8,336 dwelling units in CFD No.1 as of July 1, 2005, which pay the Special Mello-Roos tax.

On September 1, 2002, the JPA approved a Facilities Funding Agreement that identified and prioritized the remaining schools and school expansion projects needed through Carmel Valley buildout. This unique document identified project cost estimates, and along with a Board Resolution approved in September 2001, identifies sources of JPA funds to be spent on the projects. These documents also formed the authorization of an additional \$21,857,921 in Subordinate Special Tax Revenue Bonds issued in September of 2002.

In August 2005, the JPA issued an additional \$17,665,000 of additional Mello-Roos Bonds (Series 2005A) and refunded the Series 1995B and 1997C Bonds, replacing them with Series 2005B and 2006C Bonds, issued at a substantially lower interest rate. There is currently a total of \$101,663,000 (par value) of Mello-Roos bonds issued and outstanding.

Approximately 4% of the unbuilt acreage was not included in CFD No. 1 and remained under the North City West school direct deposit fee schedule as outlined in the original Master Plan. As of today, there remains approximately 80 acres of vacant residentially zoned land subject to the direct fees (possibly 100 dwelling units). The San Diego City Council approved the current direct deposit fee schedule in effect for this land through fiscal year 2010 on May 7, 2002. The approved fiscal year 2004-05 direct deposit fees were: \$18,269 per single family dwelling unit and \$13,300 per multiple family dwelling unit. School fees for 2005-06 will be 4% higher.

A new Mello-Roos District, CFD No. 2, was formed in 1997 to allow developers to annex some of the above vacant land into a CFD if a project using several parcels of land, one or more which was not in CFD No.1, to permit the entire project to be marketed at similar prices. As of July 1, 2005, 52 single-family homes are in CFD No. 2.

School facilities provided or planned for Carmel Valley students:

To date, the districts have completed the following projects:

NAME	DISTRICT	YEAR COMPLETED
Solana Highlands Elementary School	Solana Beach	1987
Torrey Pines High School, 22 classroom expansion	San Dieguito	1988
Carmel Del Mar Elementary School	Del Mar	1992
Carmel Del Mar Elementary School, 6 classroom addition	Del Mar	1993
Carmel Creek Elementary School	Solana Beach	1994
La Costa Canyon High School (1,800 student portion)	San Dieguito	1996
Ashley Falls Elementary School	Del Mar	1998
Carmel Creek Elementary School, 12 classroom addition	Solana Beach	1998
Solana Highlands Elementary School, 14 classroom addition	Solana Beach	1999

Master Plan review, Jan 20, 2006, page 3

Ashley Falls Elementary School, 10 classroom addition	Del Mar	1999
Carmel Valley Middle School	San Dieguito	1999
Sage Canyon Elementary School	Del Mar	2000
Sage Canyon Elementary School, 8 classroom addition	Del Mar	2001
Torrey Pines High School, 5 rooms of a 25 room expansion to accommodate class size reduction	San Dieguito	2001
Solana Pacific Elementary School (Neighborhood #9)	Solana Beach	2004
47 relocatable classrooms	various	1985-2004

Planning is underway for the following additional schools and improvements:

Del Mar Elementary School (Neighborhood #8A)	needed in 2007
Carmel Valley Middle School expansion	needed in 2006

State Funding of Schools:

The 1981 Resolution adopted State funding as the primary mechanism for funding North City West schools. The Districts agree to keep active applications on file with the State of California Office of Public School Construction to obtain State funding in order to assist the funding of the necessary kindergarten through twelfth grade school facilities. As of July 2005, the Authority has received \$25.2 million in State funding, and these funds have been a key part in financing the school facilities needed for Carmel Valley students. The School District received an additional \$14.2 million in State funding for the new Solana Beach Elementary School in Neighborhood #9.

Current strategies for size and number of schools:

Since the adoption of the School Facilities Master Plan in 1981 there have been changes in State law that have affected the facility requirements of the kindergarten through twelfth grade school facilities. The implementation of the State Class Size Reduction program in 1995 increased the minimum school size acreage required for a 600 student elementary school to twelve acres and increased the number of classrooms in the facility.

Class size reduction was subsequently implemented at the high school level, which in turn has required additional classrooms to be added at the high school.

The student population in the Carmel Valley area has also exceeded the projections of the Master Plan. The most recent district demographic studies forecast an enrollment of 4,428 kindergarten through sixth grade students, 1,311 seventh and eighth grade students, and 3,011 ninth through twelfth grade students at Carmel Valley residential buildout. This is a 25% increase (1,750 more students) from the 1981 NCW Master Plan projection of 7,000 K through twelfth grade students at buildout.

These changing demographics, student generation factors, type and size of dwelling units, environmental regulations, special education mandates, technology, and State legislation concerning class size reduction have caused the member school districts to reevaluate the size, number and location of needed facilities.

Master Plan review, Jan 20, 2006, page 4

As a result of the above noted changes: (1) both the Del Mar Union School District and the Solana Beach School District each established the need for an additional elementary school; and (2) the San Dieguito Union High School District has established the need for additional facilities to accommodate additional students in grades 7 through 12.

Fiscal year 2004-05 Accomplishments:

As mentioned above, the JPA completed a sophisticated issuance of new Mello-Roos Bonds and refunded 2 of the existing Series of Bonds, replacing them with 2 new Series of Bonds, generating substantial funding at lower interest rates. This financial project should ensure the funds necessary to complete our final projects.

A major project worthy of mention is the new Canyon Crest Academy just east of the Carmel Valley area. While funded by the San Dieguito UHSD, and not the North City West SFFA, this new high school will reduce enrollment at Torrey Pines High School. Construction has been completed on the classroom and administration buildings, and the theatre and gymnasium under construction. There are currently 900 freshman and sophomore students on campus. By the fall of 2007, there will be about 1,700 students enrolled in all 4 grades.

Plans for fiscal year 2005-06:

Ground will be broken and construction will start on the Del Mar School District Elementary School number 8 (the 7th elementary school to be funded by the NCW JPA) in the spring of 2006. The school is in the design stages and will be built to house a minimum of 650 students. It will open in September 2007.

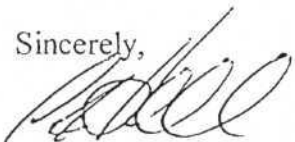
The San Dieguito Union High School District will also be deciding on whether to expand the Carmel Valley Middle School with permanent classrooms and/or construct a new Middle School adjacent to the Canyon Crest Academy.

General comments:

While the residential development of Carmel Valley has matured and leveled off over the past four years, the strong growth of Carmel Valley over the past decade is due in large part to the desirability of the schools and the educational programs provided by the member school districts. Although the additional students and the State class size reduction programs continue to challenge the member school districts, we continue to provide school facilities concurrent with their need. The continued cooperation among the JPA member school districts, the home developers and the City of San Diego has contributed materially to this assessment.

We look forward to continued close cooperation with the City of San Diego.

Sincerely,



Eric J. Hall

Board Chairman, North City West School Facilities Financing Authority